

# KOLKATA



Vivekanand Setu (New Howrah Bridge) Kolkata

## Emerging City Winners Profiles: Kolkata, India

India's second largest city, Kolkata (formerly Calcutta) is emerging as a business-friendly technology hub, attracting a growing number of Software and Business Process Outsourcing companies. Its well developed infrastructure, depth of talent pool and low operating costs underline Kolkata's growing attraction for IT/ITES companies.

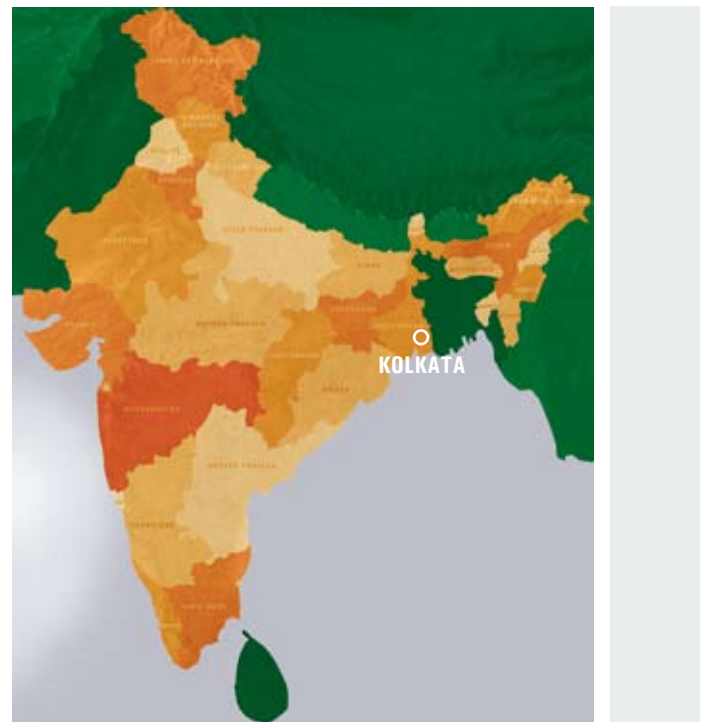


## CITY OVERVIEW

Kolkata (formerly known as Calcutta) is the capital of West Bengal, and is one of India's oldest urban areas. Historically, the city was the trading and commercial capital of India, but was gradually displaced by Mumbai following independence.

Since 2000, the state government has taken initiatives to transform Kolkata into a business-friendly city, which have resulted in a growing number of companies being attracted to its largely untapped consumer base, with a high and growing spending capacity and a large skilled labour pool. Kolkata provides a stable environment for corporates: in 2005 the NCAER (National Council for Applied Economic Research) rated West Bengal as India's most politically stable state.

Recently, Kolkata has emerged as a favoured destination for technology companies which are expanding their operations in India. Due to one of the highest literacy rates in the country, the city offers corporates a large ready available pool of educated human resources. This, coupled with lower real estate and other operating costs, makes Kolkata a highly attractive location for companies. Kolkata is set for a high growth phase, which is being led by the IT/ITES (Information Technology Enabled Services) sector.



The movement of corporates into the city is also triggering opportunities for the retail, hospitality and residential sectors. Increasing corporate presence is stimulating growth in per capita income and encouraging consumption in Kolkata. It points to a potential boom in the retail sector, and many national and international developers are planning to develop retail malls in the city.

Kolkata is an increasingly interesting destination for developers due to attractive government initiatives, low land costs and favourable economic drivers. As the city has no monopoly control by any single local developer, there are greater opportunities for new market entrants. The Kolkata real estate market is now on the radar of leading national developers such as DLF and Unitech, as well as international developers such as Keppel Land and Ascendas.

## ECONOMY

**Profile:** Kolkata is the main commercial and financial hub of eastern India and is the primary transport gateway for India's north eastern states. Kolkata is home to the Calcutta Stock Exchange (India's second largest); it has a major port, an international airport and has many higher education institutes contributing to a highly skilled workforce for the local economy. Kolkata

### Economic Dashboard

Size	Population (million 2005)	16.3
	GDP (US\$ billion 2005)	5.5
	Employment (million 2005)	5.5
Growth	Population (% pa 1991-2001)	2
	GDP (% 2003- 2005)	8
Access	Air Passengers ('000s 2005)	2,667
FDI	FDI (% of GDP 2005)	0.1
Wealth	GDP/Capita (US\$ 2004-05)	305
	Disposable Income/Capita (US\$ 2005)	306
Education & Labour	Higher Education Institutions (2005)	155
	Total Enrolments in Colleges and Universities ('000s 2005)	196
	Average Wage Rates (US\$ 2005)	135
Business	Business Environment Score	B
	Current Investment Friendliness (Rank out of 12 States)	6th
	Political Stability Index (Rank out of 10 States)	1st

See Definition of Terms

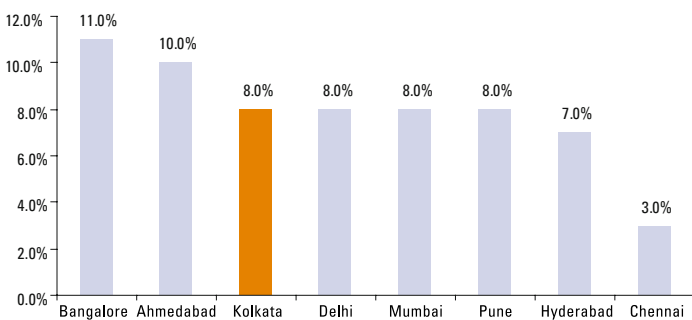


is recognized as a vibrant city with its own distinct social and political culture. The city is noted for its revolutionary history, from the pre-independence era to the Naxalite movement of the 1960s and 1970s.

**Key Sectors:** Manufacturing, textiles and IT/ITES are the city’s key industries. Kolkata is home to many industrial facilities operated by large Indian corporations; their products ranging from electronics to jute manufacture.

**Performance:** Kolkata’s economy grew by 8% in 2005. As an offshoring location, Kolkata is emerging as a credible alternative to the more established Indian offshoring locations, reflected by an increasing number of companies setting up operations in the IT/ITES sectors. The city’s IT sector, which is currently valued at US\$ 612 million, is growing at a rate of 70% per year, twice the national average. The proposed undersea telecom cable landing station in West Bengal will further improve the prospects for IT operations, by enhancing the quality of the city’s telecom connectivity and also reducing telecom costs.

**GDP Growth Rate 2005**



Source: CSO

**DEMOGRAPHICS**

Kolkata is India’s second largest city (after Mumbai), with a metropolitan area of 1,900 sq km and a population of 16.3 million in 2005.

The city’s population grew by approximately 2% per annum over the period 1991 to 2001. Kolkata has a relatively high proportion of its population (35%) in the A & B socio-economic groups when compared with other cities.

**Major Indian Cities: Population Growth**

Cities	Growth % pa 1991-2001
Mumbai	3.0%
Delhi	5.2%
Bangalore	3.8%
Chennai	1.8%
Hyderabad	2.7%
Pune	5.1%
Kolkata	2.0%
Ahmedabad	3.6%

Source: Census Survey of India

GDP per capita of West Bengal in 2004-05 was US\$ 305 per annum, which is 40% below the national average of US\$ 516, and significantly lower than other major Indian urban areas such as Delhi at US\$ 729, Bangalore at US\$ 553 and Pune at US\$ 439.

With one of the highest literacy rates in the country, Kolkata offers a large pool of talented labour. The city is home to six universities and around 88 colleges. Approximately 196,000 students a year complete graduate and post graduate studies.

Kolkata is also strong in IT education. Each year, approximately 7,000 students complete IT related engineering studies. The high availability of new ITES professionals, combined with fluency in written and spoken English, have contributed to the recent success of Kolkata in the IT/BPO sectors. Moreover, the growth of BPO training centres such as GlobSyn and Deskon is further facilitating the continued supply of trained manpower.

Around 40,000 people in Kolkata are currently employed within the IT and ITES sectors with the average salaries for middle management level staff estimated to be US\$ 440 per month (US\$ 5,300 per year).

**KEY INDUSTRIES**

**Services:**

- IT/ITES: Kolkata has 175 IT and ITES firms employing approximately 40,000 people. The list includes many global firms such as Tata Consultancy Services, Cognizant Technologies Solutions, PWC, ITC Infotech, Computer Associates, Cognizant, Siemens, The Chatterjee Group, IBM, Wipro, Spectramind, Samsung and United Airlines. Many of these players are planning to expand in the near future.



- **Finance:** There are many financial institutions present in Kolkata. Banks such as HSBC, HDFC, ICICI, Amex, Deutsche Bank, Bank of America, Standard Chartered, Citibank and ABN-AMRO have opened multiple offices. Other life and non life insurance companies such as LIC, ICICI Prudential and HDFC Life are also expanding their operations in the city.

**Manufacturing:** Kolkata is home to many industrial facilities of large Indian corporations, whose product range is varied and includes engineering products, electronics, electrical equipment, cables, steel, leather, textiles, jewellery, frigates, automobiles, railway coaches, wagons, tea, paper, pharmaceuticals, chemicals, tobacco, food products and jute products.

Notable Indian and international companies with their national headquarters in Kolkata include ITC, Bata India, Haldia Petrochemicals, Birla Corporation, Merlin Projects, Price Waterhouse Cooper, Philips, Bengal Peerless, Exide, Berger Paints, Coal India Limited and the National Insurance Company.

## INFRASTRUCTURE

Kolkata hosts an international airport (Netaji Subhash Chandra Bose International Airport at Dum Dum) which is the fifth busiest in India, with extensive connectivity to other Indian cities.

Public transport is the preferred mode of travel within Kolkata, with the city having a low cost multi modal public transport system. The electrified suburban rail network is extensive and stretches into neighbouring districts. Kolkata has four railways stations, which are at Howrah, Sealdah, Shalimar and Chitpur. Howrah and Sealdah stations are amongst the busiest in the

country. The Eastern Railway and South Eastern Railway are both headquartered in the city. The West Bengal government is taking initiatives to improve the road infrastructure and a new ring road has been contracted to the Indonesian Salim Group.

Kolkata has a major port, which together with the neighbouring Haldia deep water dock system form the Kolkata Port Trust, is amongst the largest port complex in India in terms of cargo traffic. In 2004, total cargo volume (including both exports and imports) was around 10 million tonnes.

## BUSINESS ENVIRONMENT

The government of West Bengal has created a more business-friendly environment, and is actively promoting foreign direct investment, mostly in the fields of software development and electronics.

The state government has developed incentive schemes for many industries which include subsidies, tax holidays, waivers on electricity consumed (for 5 years), and remission on stamp duty and registration charges. Many Special Economic Zones have also been approved by the government for both IT and non-IT purposes. Set out below is a list of Special Economic Zones that have been approved in Kolkata.

### Special Economic Zones approved in Kolkata.

SEZ	Size (sq ft)	Location
Dalmia IT SEZ	10,890,000	Bantala
Oval	2,613,600	Diamond Harbour Road
DLF SEZ	2,000,000	Rajerhat
Rahul Saraf	1,200,000	Bantala (included in Dalmalia SEZ)
Chamariya	1,200,000	Bantala (included in Dalmalia SEZ)
Unitech	4,500,000	Rajerhat
Bata Nagar (SEZ)	1,089,000	Bata Nagar

Source: Jones Lang LaSalle

Kolkata also offers advantages in terms of electricity charges and reliability. Being a “power surplus” city, the main commercial areas have only rarely witnessed instances of load shedding and power cuts.

The leftist government has run the state for the past 30 years and still enjoys high support from the population. In recent years major steps have been taken by the state government in order to attract capital into the IT/ITES sector, manufacturing and



real estate development. West Bengal is the first state to have a separate policy for IT and ITES companies, and now has one of India's best incentive policy frameworks in place.

The marketing initiatives undertaken by various governments departments have resulted in West Bengal's positive ranking in many comparative indicators:

- The **Current Investment-Friendliness Index (CIFI)**, conducted by CII, shows the rankings of Indian states according to their current investment climate - West Bengal ranks 6th among 12 states reviewed.
- The **Future Business Attractiveness Index (FBAI)** conducted by the Reserve Bank of India ranks cities in terms of their future attractiveness as a business destination. Kolkata ranks higher than NCR/Delhi, Ahmedabad and Chennai.
- A **Political Stability Index (PSI)** shows the rankings of India's states according to their political stability. West Bengal is ranked first in the PSI, highlighting that it is the most politically stable of the 10 states taken into consideration.

## REAL ESTATE OVERVIEW

**Offices:** Kolkata is rapidly emerging as a favoured IT/BPO destination, the early movers being multinationals such as IBM, HSBC and ABN AMRO. Large Indian software firms and BPOs such as IBM and Genpact are expanding into Kolkata. This rapid expansion of business activity is expected to boost demand for speculative built space as well as built-to-suit offices.

West Bengal arguably has one of the most aggressive incentive packages for IT/ITES companies and developers alike - including subsidized land, exemption from stamp duty and property tax. Lucrative government incentives, low land costs and the presence of relatively few established developers point to significant opportunities for new market entrants.

With nearly 4.5 million sq ft of additional supply likely to be completed by end of 2007 in Salt Lake and New Town Rajerhat, there are unlikely to be any significant office supply shortages in the near future. As the market becomes increasingly competitive, rental values are likely to stabilize in the long run.

**Retail:** Kolkata is a mega-city (comparable to Delhi and Mumbai in terms of population) and has a vibrant high street retail and

leisure culture. The city has over 1.5 million sq ft of organized retail under construction (in 500-750,000 sq ft formats) and there are three operational malls, all with low vacancy; notably Forum on Elgin Road (200,000 sq ft), City Centre in Salt Lake (500,000 sq ft) and Metropolis in Hiland Park (180,000 sq ft).

Kolkata is a high priority destination for international retailers due to its large population and disposable income. For example, the B2B hypermarket, Metro, has chosen Kolkata for its second destination in India, following its entry into the Indian market in Bangalore.

Future mall projects will be located in proximity to the working population in the emerging office districts of Salt Lake and New Town Rajerhat, and close to the large residential projects which are due for completion (2006-2009) in the eastern part of the city.

**Hotels:** Two new five star deluxe hotels started operations in 2003, expanding the city level supply to 1,400 rooms. Most of this new supply is within 15-30 minute drive time of the emerging IT locations of Salt Lake and New Town Rajerhat. The entry of many reputable hotel groups in recent years has been in response to the growing demand for hotel rooms stimulated by the expanding IT/ITES sector.

Room demand is expected to grow at an annual rate of 11.7% over the next five years, compared with 11.3% in the last five years

### Real Estate Dashboard

Market Size/Stock		
Offices - Total Stock ('000 sq ft, Q4 2006)		3,400
Grade A PD ('000s sq ft, Q4 2006)		2,800
Retail (Shopping Malls) ('000s sq ft by 2007)		4,000
Hotel Rooms (5 star, 2006)		1,400
Market Activity (Q4 2006)		
Office Construction	Grade A PD ('000 sq ft)	1380
Office Vacancy:	Grade-A CBD (%)	2%
	Grade-A PD (%)	6.1%
Benchmark Values		
Offices Grade A - Rents (US\$/sq ft pa)		16.5
Retail - Rents (US\$/sq ft pa)		32
Hotels - Room Rates (4-5*) (US\$ per day)		95
Residential - Rents (US\$/sq ft / pa)		10 - 11.5
Grade A Offices - Indicative Yields (%)		10%

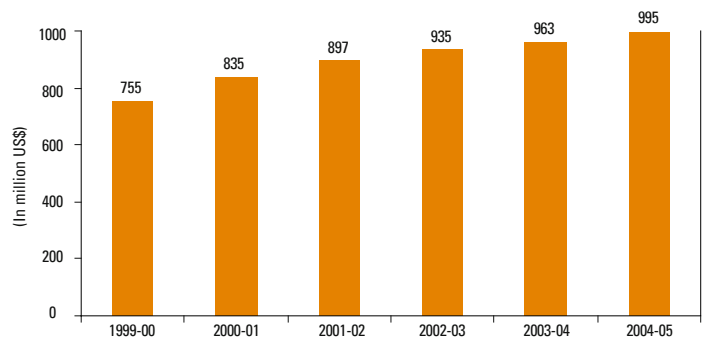
Source: Jones Lang LaSalle



## REAL ESTATE INVESTMENT

Construction investment in Kolkata has been growing steadily over the last six years at an annual growth rate of 6%.

### Construction Investment



Source: West Bengal SGDP (Construction)

### Some of the large recent investments made by corporates in Kolkata include the following:

Mahindra British Telecom (MBT), one of India's largest software exporters, has announced plans to invest in Kolkata. The company plans to leverage the city's talented labour pool, with the intention of employing 3,000 technologists by 2008. The reported planned investment in the city is US\$780,000 over the next three years.

The Indonesian Salim Group is setting up of a US\$56 million two-wheeler motorcycle plant, a chemical plant SEZ and a mega housing project at Howrah.

Genpact, a major BPO company has expanded its presence in the city by leasing around 80,000 sq ft in DLF IT Park. In addition they have recently leased a stand alone building (fully furnished) of approximately 100,000 sq ft.

TCS, which is one of India's largest IT companies, has added more than 1,000 employees to their Kolkata office and also taken an additional 75,000 sq ft in Bengal Intelligent Park.

(according to consultants Cris Infac). Supply is expected to grow at 15.4% per year in the next five years, compared with 6.2% in the previous five years. Occupancy levels across five star and five star deluxe segments are currently hitting 72% to 80%. Four star occupancy levels are even higher at 80% to 82%. Demand levels are expected to increase, especially in the Rajerhat and Salt Lake areas, mainly driven by demand from business travellers.

There are good opportunities for new entrants in the hospitality sector, with the West Bengal government offering exemption from property taxes for hotels for a period of five years. Pan Indian developers such as DLF and Unitech have already announced plans to enter Kolkata's hospitality sector, and Unitech has tied up with the Marriott Group. Dubai based MGF Emaar is planning to build a seven star hotel on E M Bypass; developer Bengal Shristi has tied up with Intercontinental Hotels to build a five/seven star hotel in Rajerhat and Pragati Developers are developing a service apartment project near Ruby Hospital on E M Bypass.

**Residential:** Recently Kolkata has witnessed high growth in the residential sector due to increasing demand from people migrating to the city to work in the IT/ITES sectors. The large investments from Indian and foreign developers include proposed township projects by Salim Group (Indonesia), Universal Success Enterprise (Indonesia), DLF and Unitech. Local developers such as The Chatterjee Group, Bengal Ambuja, Space, Belani, Diamond, Sanjeevani and Ideal are also present in the city.

There is strong residential demand, as shown by the absorption patterns of recent residential projects, which are expected to grow in tandem with economic activity and investor interest. The government is offering land at highly subsidized prices to developers to undertake township and group housing projects in partnership with the government. They are also providing additional support through the provision of investments in infrastructure.





## KEY PLAYERS BY SECTOR

**Office Developers:** The Chatterjee Group, along with Infinity Group, Rungta Group and Forum Group have traditionally been the largest local developers. However, the last couple of years have witnessed the entry of national players such as DLF and Unitech which are undertaking large projects targeted at IT/ITES companies.

Developer	Total Stock (sq ft)
Unitech	4,500,000
DLF	3,800,000
Infinity Group	850,000
The Chatterjee Group	960,000
Forum Group	1,775,000
Rungta Group	350,000
Globsyn Crystal	550,000



Source: Jones Lang LaSalle

**Retail Developers:** South City, a consortium comprising the city's existing top developers is developing South City Mall. This will be the largest mall in Kolkata with a floor area of 700,000 sq ft. Part of a large residential project, the mall will target the affluent residential catchments in the south-central areas of the city.

Developers	Total Stock 2006 (sq ft)
South City Consortium	1,000,000
Forum Group	745,000
Bengal Ambuja	500,000
Mani Group (Mani Square)	500,000
Shrachi (Block by Block)	170,000
Space Group (Lake Mall)	250,000
Calcutta Metropolitan Group (Metropolis)	180,000
Merlin (Acropolis)	700,000
Avani Group (Avani Riverside)	400,000
Bengal Peerless (Axis)	500,000
Bengal Greenfields (Terminus)	170,000

Source: Jones Lang LaSalle



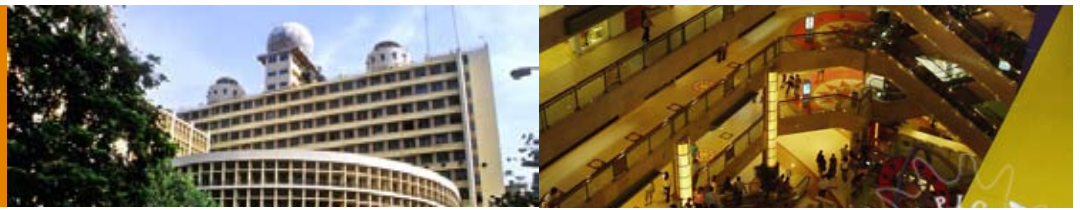
ICICI One Source and IBM, which are amongst the biggest call centre operators in India are expanding their operations in Kolkata and have hired more than 200 employees each for their new offices in the city. ICICI One Source has also occupied space of around 150,000 sq ft in Technopolis Business Centre. IBM & IBM Daksh have taken around 500,000 sq ft in DLF IT Park, with an option to expand further in subsequent buildings. Both these companies have also taken new space in Millennium Tower, Sector V.

Tata Motors has recently announced its commitment to West Bengal by investing in a manufacturing plant for small segment cars. The plant will be spread over a 700 acre site with additional facilities for a vendor park. The total investment is likely to be over US\$ 220 millions, which includes both direct investment by Tata Motors as well as investment by its vendors.

The Tata Group chairman also announced a second project in Kolkata for manufacturing earth-moving equipment, by Telcon a wholly owned subsidiary of Tata Motors. The project will be located in Kharagpur and involve an investment of US\$ 55 millions.

A recent deal by real estate developers DLF Group is believed to be the largest of its kind in West Bengal. DLF have purchased 4,900 acres of land on the outskirts of Kolkata in a deal worth US\$ 600 millions. DLF successfully won the bid in a tender floated by the Kolkata Municipal Development Authority.

The company is planning to turn this site situated in Dankuni into a township-cum-industrial hub. DLF report that they will earmark 3,900 acres for township development and the remaining land will be used for industrial development.



**Residential Developers:** Most residential developers have opted to go into joint venture projects with the government, wherein they provide a fixed amount of subsidized housing in exchange for subsidized land rates.

Developer	Locations
Bengal Ambuja	Rajerhat, Garia
Space	EM Bypass, VIP Road, BT Road, Jessore Rd
Belani	EM Bypass, Ballygunje, New Town
Diamond	All major city areas like Behala, Jessore Rd, Ballygunge, Rajerhat
Mani	EM Bypass, Rajerhat Alipur, New Alipur, Diamond Harbour Rd,
Shrachi	Rajerhat, Garia
Ideal	Sealdah-Belaghata, Kankurgachi, New Alipur, Rajerhat
Sanjeevani	Shekharpur in Rajerhat

Source: Jones Lang LaSalle Research

**Hotel Operators:** The prime hotel projects in Kolkata include the following:

Hotels	No. of Rooms
Hyatt Regency	235
ITC Sonar Bangla Sheraton	238
The Park	150
Oberoi	125
Taj Bengal	229
Fort Radisson Resort	60
MBD Airport Hotel	149



Source: Jones Lang LaSalle Research

**Key Office Occupiers:** Key occupiers include IT/ITES companies which are expanding their operations in Kolkata, due to the low operating costs and a large talent pool.

Occupier	Approx. Area Occupied (sq ft by Q2 2007)
IBM	850,000
Genpact	200,000
HSBC (BPO)	200,000
Cognizant	530,000
TCS	600,000
ICICI One Source	150,000
Lexmark	150,000
Bharti	80,000
Global Tele Systems	40,000
HCL Technologies	20,000
ABN AMRO	18,000

Source: Jones Lang LaSalle Research

## OFFICE MARKET

Kolkata's office market is divided into three geographic areas:

**Central Business District (CBD):** This district largely comprises regional headquarters of Indian national and multinational banks and the registered offices of large Indian corporates and government offices. This district has witnessed very limited development and protective tenancies will restrict any future development. It also includes central Kolkata (namely Chowrangee Street, Camac Street, Park Street and AJC Bose Road) where residential spaces have been redeveloped as offices. The total stock for Grade A in the CBD was approximately 600,000 sq ft in Q4 2006.

**Emerging Peripheral Business District (PD):** The emerging Peripheral Business District comprises two locations in the eastern part of the city, namely Salt Lake and New Town Rajerhat, both of which are being actively promoted by the West Bengal government as IT/ITES hubs. The total stock in the PD as at Q4 2006 was approximately 2.8 million. Interestingly, 100% of Kolkata's PD stock is Grade A.

In direct contrast to the size of office buildings in the CBD (at approximately 50,000 sq ft) office building projects undertaken in Salt Lake and Rajerhat range in size from 250,000 to 2 million sq ft, where large land plots with generous built area incentives have been granted by the West Bengal government. Average floor plates are large, in the range of approximately 10,000 to 45,000 sq ft, to cater for the requirements of IT/ITES operations.

## RETAIL MARKET

The retail market in Kolkata is segmented into High Street and Retail Malls. The retail prime high street locations are concentrated in the new CBD area, comprising Elgin Road, Camac Street, Theater Road, Russel Street, Park Street, AJC Bose Road and Landsdowne Road.

Organized mall retailing in Kolkata was introduced in 2003 when the first mall (Forum Mall) became operational. Mall projects have since sprung up in central locations where there is land availability. There are a few new shopping malls which are planned to start in 2007; these are located primarily in secondary markets (in an 8 to 10 km radius of the CBD) and in the city's eastern periphery. Malls under construction include Avani Galleria-Park Street,



Axis Mall-Rajerhat, Barnaparichoy-College Street, City Centre 2-Rajerhat, Forum II-EM Bypass, Calcutta Riverside, Firanghee Bazar, Fortknox and Kolkata Times Square.

**Current and Future Major Retail Mall Development**

Mall	Location	Total Built Up Area (sq ft)	Major Retailers
<b>CURRENT MALLS</b>			
Forum Mall I	Elgin Road	200,000	Shoppers Stop, Inox, Pizza Hut, Zodiac
City Centre	Salt Lake	500,000	Shoppers Stop, 3C, Pizza Hut, KFC, Benetton
<b>FUTURE MALLS</b>			
South City Mall	PA Road	1,000,000	Big Bazaar, Pantaloon, Fame Adlabs, Spencers, Shoppers Stop
City Centre II	Rajerhat	400,000	Pantaloon, Cinema 89

Source: Jones Lang LaSalle Research

**RESIDENTIAL MARKET**

The prime central area comprising Ballygunje, Hastings and Alipur command the highest residential prices, with capital values for land at approximately US\$ 100-110 per sq ft. Old residential plots are routinely being redeveloped as boutique apartment complexes (comprising 10-40 units).

The prime central area remains the most exclusive and sought after for residential. Rental and capital values have appreciated by 30% to 50% respectively over the last two years, representing the highest capital value appreciation amongst all of Kolkata’s micro locations.

Secondary residential districts located within an eight km radius of the central area include Kankurgachi, Sealdah, Prince Anwar Shah Road, New Alipore and Moulali. These locations are attractive destinations due to their good connectivity with the growing business districts and lower prices when compared to central areas. However, high congestion levels have limited the scale of high-income residential projects in these areas.

Eastern peripheral areas comprising Eastern Metropolitan Bypass, New Rajerhat Township, Topsia and Kasba are expected to witness the highest growth in residential stock over the next two to four years. The predominant eastern direction of residential growth has been fuelled by two recent developments – the development of Salt Lake - Sector V as an IT/ITES business hub and the unlocking

of land by the government which is currently disposing of large tracts of land in Rajerhat.

As the residential market grows it is also evolving in terms of the product profile and specifications provided. The city has recently seen the launch of villa projects by developers who have traditionally specialized in residential apartments. These villa projects are being developed only in the southern and eastern peripheral areas where large (i.e. 100-200 acres) land parcels are available at low costs.

There is a significant opportunity in the residential sector for developers. Large consolidated land parcels (200 to 300 acres) can be privately acquired in the western, south eastern, southern and northern periphery; whilst 200 acre land parcels are being allotted by the Housing and Infrastructure Development Organization in Rajerhat.

A unique and innovative public-private partnership model that has been put in place by the West Bengal government is helping the residential sector to grow at a fast pace. The model, whereby joint venture companies have been formed with organised real estate developers in the private sector and the West Bengal Housing Board (WBHB) as partners, has helped unlock vast tracts of urban land; the development of which would not otherwise have been possible due to the urban land ceiling laws, which restricts acquiring land beyond certain limits.

This cross-subsidy model is encouraging the development of a range of housing stock. For housing stock targeted at higher income groups, developers are permitted free pricing, while for middle-income groups they have to be sold at a “no-profit-no-loss” basis. For lower income groups, the housing stock has to be sold at lower-than-cost price.

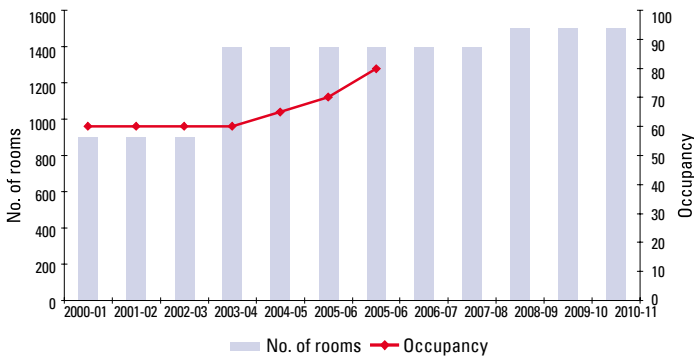




## HOTELS MARKET

The city witnessed a sharp rise in room supply in 2003 with the opening of both the ITC Sonar Bangla Sheraton and the Hyatt Regency, which created an additional 450 rooms. Notwithstanding the large additional supply, both hotels, as well as the city itself, have been able to achieve high occupancy rates, currently standing at 72%.

### Kolkata 5 Star Hotels: Supply & Occupancy Trends



Source: Cris Infac Report

## SUMMARY

Recently, Kolkata has emerged as a favoured destination for companies which are expanding their operations in India. Due to one of the highest literacy rates in the country, the city offers corporates with a well equipped work force.

Moreover, land is more easily available at lower costs when compared to other metros such as Mumbai and Delhi. Kolkata is a net exporter of electricity, which reduces the operating costs in the city when compared to Delhi/NCR.

Kolkata is set for a high growth phase, which is being led by the IT/ITES sector. The movement of corporates into the city is also triggering a growth phase in retail, hotels and residential properties.

Increasing corporate presence is stimulating growth in per capita income and encouraging consumption in Kolkata. It points to a potential boom in the retail sector, and many national and international developers are planning to develop retail malls in the city.

The Kolkata government is developing many initiatives to boost activity by IT/ITES companies by offering tax relief etc. Overall

the city provides a positive environment for new corporate entrants, as well as existing corporates eyeing expansion.

Kolkata is an increasingly interesting destination for developers due to attractive government initiatives, low land costs and favourable economic drivers. Moreover, as the city has no monopoly control by any single local developer, there are greater opportunities for new market entrants. The Kolkata real estate market is now on the radar of leading national developers such as DLF and Unitech which are planning to develop large real estate portfolios in the city.

**Jones Lang LaSalle, January 2007**

## ECONOMIC DASHBOARD

**Population:** Population refers to the total population of the City of Kolkata as at Jan 2006. Kolkata metropolitan district incorporates parts of the districts North 24 Parganas, South 24 Parganas, Howrah, Hooghly and Nadia..

**GDP:** Refers to the gross domestic (i.e. regional) product of the city of Kolkata Derived from multiplying GDP/Capita of West Bengal by the total population of Kolkata.

**Employment:** Refers to the persons formally employed in both public and private sector organizations.

**Population Growth:** Refers to the compound annual population growth rate over the ten year period 1991-2001

**GDP Growth:** Refers to the annual GDP growth rate (2003-2005) of the state of West Bengal.

**SEC Classification:** Socio Economic Classification of households is based on their occupation and education. These two factors define SEC segment. A high SEC (highest being A) rating suggests that the household has a high propensity to purchase high value items. It provides delineation of the different types of education-occupation characteristics that have been used to categorize households.

**FDI:** Foreign Direct Investment refers to investments made in West Bengal by foreign enterprises and economic organizations or individuals (including Non Residents of India), expressed as a % of West Bengal's GDP.

**GDP/Capita:** Refers to total gross domestic product divided by the registered population of state of West Bengal.

**Disposable Income:** Refers to the actual income at the disposal of a household which can be used for final consumption.

**High Education Institutions:** Refers to the number of higher education institutions providing higher education courses and training for senior professionals. They include full-time universities, colleges, high professional schools, high professional vocational schools and others. It includes college, engineering, medical, management, computers and other professional courses.

**Total Enrolments:** No. of students registered in various colleges and universities in the city of Kolkata.

**Unemployment:** The registered unemployment rate refers to the ratio of the number of registered unemployed to the sum of the number of persons employed in Kolkata.

**Average Wage Rates:** Average wage rates refer to average wage of fully employed staff and workers. It is calculated as follows:

Average wage of fully employed staff and workers = total wages of fully employed staff and workers/ average number of fully employed staff and workers.

**Business Environment:** Grading measured by an assessment of a locations macro economic environment, law and order situation, its policy towards private enterprise and foreign investment, and its labour market and tax regimes. A location's business environment is graded from A (highest) to C (lowest).

**Political Stability Index:** These scores are based on a survey conducted by CII (Confederation of Indian Industry) to compare the current political scenarios in 10 states. The state which ranked first in the PSI was considered to be the most stable politically. West Bengal ranked first in the PSI. West Bengal is followed by Delhi (2), Maharashtra (3), and Orissa (4).

**Current Investment Friendliness Index:** A survey conducted by CII which shows the rankings of Indian states according to their current investment climates within 12 states.

## REAL ESTATE DASHBOARD

**Offices Grade A Stock:** Refers to the total completed Grade A office space (occupied and vacant). Grade A reflects an above average property in the Kolkata market, with quality criteria being at the upper end of the scale.

**Retail Stock:** Represents the total modern retail stock expected to be completed by end 2007.

**No of Hotel Rooms:** Refers to the number of hotel rooms in 5 star hotels in Kolkata

**Office Construction Grade A:** Refers to the total amount of Grade A office space in properties where construction has commenced, and completion is expected in 2006, 2007 or 2008.

**Office Vacancy Grade A:** Refers to Grade A office floor space (as a % of total Grade A stock) in existing properties, which are physically vacant, ready for occupation in the next three months and being actively marketed.

**Benchmark Rents:** Refers to the typical open-market rents (within a range) that could be expected for a unit of the highest quality and specification in the best location expressed in US\$ per square feet per year.

**Hotel Room Rates:** Refers to the average price to be paid for any deluxe room per night.

**Residential Prices:** Refers to the average rental per sq ft per annum

**Grade A Offices – Indicative Yields:** Refers to the best (i.e. lowest) yield estimated to be achievable for a notional office property of the highest quality and specification. Indicative yields represent Jones Lang LaSalle's "market view", based on a combination of market evidence where available, and a survey of expert opinion.

**FAR:** Floor to Area Ratio, widely used to determine number of floor which can be built on a particular size of land. This is also called plot ratio or the building to land ratio.

# INDIA

Emerging  
City  
Winners



## Reports on India from Jones Lang LaSalle World Winning Cities Series

### Emerging City Winners

"Emerging City Winners" is Phase IV of Jones Lang LaSalle's World Winning Cities Research, a multi-year programme designed to draw together the essence of contemporary city competitiveness. World Winning Cities examines trends that are impacting on the business and economic landscape, and how these factors are coalescing to create the rising urban stars of the next decade.

Our Emerging Cities Winners research aims to identify the winners and losers amongst the world's emerging cities in Asia, Central and Eastern Europe and Latin America. This phase of World Winning Cities has evolved in response to the rapid changes that are occurring in the geography of business, where new opportunities are now emerging in cities that have not traditionally been on the radar screen of the property sector. Cross-border occupiers and investors need to be able to spot the rising urban stars of the future. Emerging City Winners aims to provide insights into the dynamics of the world's emerging cities, to help real estate occupiers and investors understand the opportunities and complexities of a growing band of rising urban stars.

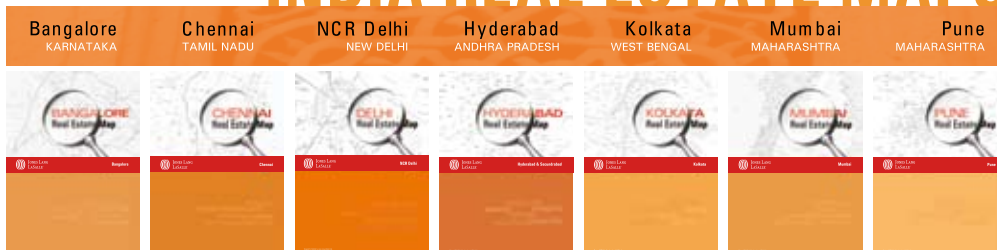


India - Tier III Cities



India - Investment Futures

## INDIA REAL ESTATE MAPS



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